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SENSITIVE
SIPDIS

STATE FOR ISN/ECC - YWONG, ACHURCH, NJOHANSON, AND ROWEN
STATE FOR EAP/TC - MTOYRYLA, DPARKER
STATE FOR ISN/MTR - PDURHAM, SBOYER, JMAYES, AND RPALMIERO
DHS/CBP/INA FOR MAWATT
DOE/NNSA/INECP FOR TPERRY AND SJONES

E.O. 12958: N/A

TAGS: [ETTC](#) [MNUC](#) [PARM](#) [PREL](#) [KSTC](#) [KNNP](#) [TW](#)

SUBJECT: EXBS: TAIWAN MONTHLY REPORTING CABLE - MARCH 2009

REF: Taipei 381 and previous (notal)

I. BROAD ITEMS OF INTEREST TO ADVISORS AND AGENCY MANAGERS:

1. (U) On March 2, the Advisor attended the Taipei International Machine Tool Show. This year's show was most notable for sparse attendance by potential buyers as compared with last year.
(U) According to statistics released by the Taiwan Machine Tool Foundation (TMTF), Taiwan exported US\$3.721 billion of machine tools in 2008, a 5.9% increase from 2007. Exports of metal-cutting machine tools came to US\$2.964 billion in 2008, up 7.4% from 2007; metal-forming machine tools amounted to US\$756.57 million, up a mere 0.5% from 2007.

With respect to export destinations, the combined China and Hong Kong market ranked first by absorbing US\$1.114 billion worth of Taiwan-made machine tools in 2008, down 14.2% from 2007, and accounting for 30% of total exports. The U.S. ranked second with US\$338.6 million, down 0.9% from 2007, and accounting for 9.1% of total exports. Germany ranked third with US\$224.09 million, up a whopping 45.2% and accounting for 6% of total exports.

The TMTF's data also show that Taiwan imported US\$1.535 billion of machine tools in 2008, down 39.9%. Japan was Taiwan's largest import supplier by selling US\$931.4 million of machine tools in 2008, down 20% from 2007, and accounting for 60.6% of total imports. The U.S. stood at second place with US\$299.73 million, down 69.8% from 2007 and accounting for 19.5%. The third place went to Germany with US\$101.97 million, up a whopping 43.5% and commanding 6.6% of total imports.

According to a press release by TMTF, the demand for imported machines is driven by domestic precision parts and metal products sectors, with demand for imported machines by high-tech industries such as semiconductors, information technology, electronics, communications and optoelectronics on the wane. TMTF chief executive C.C. Wang said the domestic machine-tool industry has seen nose-diving exports since the beginning of the fourth quarter of 2008.

2. (U) On April 1, the Taiwan Memory Co (TMC), a joint state-private funded dynamic random access memory (DRAM) firm, announced that it has chosen Japan's Elpida Memory Inc. as its strategic partner to jointly develop and make new memory chips for mobile devices based on Elpida's technologies (reftel). Through the venture, TMC aims to jointly develop its own technological capabilities for designing chips and to selling products and chips under its own or Elpida's brand name.

(U) During the announcement, John Hsuan, head of TMC said "Elpida has shown strong intent to have detailed discussions with TMC about technological cooperation. The companies will enjoy a deep cooperation."

(U) To diversify from the existing computer memory chip market, TMC would focus on developing innovative DRAM chips, especially mobile DRAM, as well as outsourcing production to local DRAM companies using TMC's technologies.

(U) TMC is continuing its discussions on a potential technological partnership with U.S. chipmaker Micron Technologies Inc. The press report stated that Micron has not made a final decision as it first needs obtain approval from its Taiwan partner, Nanya Technology Corp.

(U) TMC plans to recruit 800 people after it is established next month.

(SBU) The EXBS Advisor plans to meet with a representative of the Japan Interchange Association in the next week or two to discuss export control implications of the partnership. Taiwan's Strategic High-Tech Commodity List includes technology, but the regulations refer only to commodities. This discrepancy in Taiwan's control of technology transfer has been an ongoing issue between the U.S. and Taiwan. With the DRAM partnership announcement, this may be the opportune time for Taiwan to take action to close this regulatory loop.

[Note: The Advisor has been sending regular updates via email on TMC formation to ISN/CATR, ISN/ECC, and DOC/BIS.]

II. COMPLETED ACTIONS FOR THE REPORTING PERIOD

IA. SITE ASSESSMENTS AND MEETINGS DURING REPORTING PERIOD:

11. (SBU) On March 5, the Advisor met with Professor Liu Fu-Kuo of National Chengchi University. Professor Liu is a Taiwan representative to the Export Control Experts Group (XCXG) of the Council for Security Cooperation in the Asia Pacific (CSCAP), a non-governmental (second track) process for dialogue on security issues in the Asia Pacific. According to Professor Liu, Taiwan has been involved in XCXG since 1998 as "other participant" after several rounds of negotiations with China. Taiwan participates through invitations by the U.S. Because Taiwan is not a member of CSCAP, it does not participate in the General Conference or Steering Committee, both of which are CSCAP decision-making bodies.

(SBU) Professor Liu stated that Taiwan's representatives to XCXG are vetted by China, and China has the final say on who can represent Taiwan at these meetings. Because of this, it has been very difficult for Taiwan to develop its own cadre of experts in the nonproliferation field.

(SBU) While a small step, as a start to Taiwan developing nonproliferation experts, the Advisor offered to speak to a group of graduate students at Chengchi University on the work of EXBS and, nonproliferation generally, in the near future.

12. (SBU) On March 20, along with Mr. Kuo Lin-wu, former Director of the Office of Homeland Security, Executive Yuan, the Advisor met with Mr. Chunto Tso, a Director of the Taiwan Institute of Economic Research (TIER). TIER is a semi-private research organization that receives support from the Taiwan Ministry of Economic Affairs. TIER provides research and policy guidance on Taiwan's membership in APEC. The meeting was to get informal feedback and interest by existing non- or quasi-governmental organizations on the feasibility of establishing a Taiwan NGO to work on nonproliferation issues much like the Center for Information on Security Trade Controls (CISTEC) of Japan, and the Korea Strategic Trade Institute (KOSTI) of Korea.

(SBU) Based on conversations with various officials over the last year, Taiwan is open to and is taking steps, albeit "baby" steps, to establish a CISTEC-type NGO. While certain offices have the funds to do research and outreach work, they do not have the personnel to actually do the work. Further, Taiwan is looking to decrease personnel as part of its official restructuring, not to increase personnel. Therefore, establishing an NGO may be a way to advance nonproliferation work without increasing official personnel.

IB. BLUE LANTERN:

None.

III. TRAINING CONDUCTED DURING REPORTING PERIOD:

¶1. (U) On March 11-13, ICP train-the-trainer workshop was held in Taipei. Ten Taiwan officials were trained during the workshop. These officials will be the trainers for the ICP deployments.

¶2. (U) On March 31, the Industry-Government Relations Forum: ICP kick-off was held in Taipei. Over 140 Taiwan company representatives attend the Forum. Madam Chun-Fang Hsu, Deputy Director General of the Bureau of Foreign Trade, and Robert S. Wang, Deputy Director of AIT, opened the Forum for Taiwan and the U.S., respectively.

IV. UPCOMING TRAINING:

¶1. (U) Internal Control Program software deployment is scheduled for the following dates:

Deployment 1 (Hsinchu) - April 16-17, 2009;
Deployment 2 (Kaoshiung) - May 14-15;
Deployment 3 (Taichung) - May 18-19; and
Deployment 4 (Tainan) - June or July (TBC).

¶2. (U) From April 6 - 10, 2009, Incident Command Systems Training, implemented by Customs and Border Protection, is scheduled to take place in Taipei. (This program replaces the originally-scheduled Hazardous Materials Response Training.)

¶3. (U) From April 27 - May 1, 2009, Radiological Detection Training, implemented by the Department of Energy, is scheduled to take place in the State of Washington.

¶4. (U) A Commodity Identification Training, implemented by the Department of Energy, is notionally scheduled for June.

¶5. (U) A WMD Investigation Training, implemented by Immigration and Customs Enforcement, is notionally scheduled for the second half of July. The training was originally scheduled for the week of February 23.

¶V. RED FLAG ISSUES:

None.

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YOUNG